

Schedule No.:

Issue:

Witness:

Type of Schedule:

Sponsoring Party:

Case No.:

Capital Costs of
Mandated Replacement
Programs

Craig R. Hoeflerlin

Direct Testimony

Laclede Gas Company

GR-2001-629

FILED³
MAY 18 2001

Missouri Public
Service Commission

LACLEDE GAS COMPANY

GR-2001-629

DIRECT TESTIMONY

OF

CRAIG R. HOEFERLIN

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1 Q. Please state your name and business address.

2 A. My name is Craig R. Hoeflerlin, and my business address
3 is 3950 Forest Park Avenue, St. Louis, Missouri 63108.

4 Q. By whom are you employed and in what capacity?

5 A. I am Assistant Vice President-Operations of Laclede Gas Company.

6 Q. How long have you held this position, and would you briefly describe your
7 duties?

8 A. I was appointed to this position on December 21, 2000.

9 In this capacity I manage the entire range of Company operations functions,
10 including construction and maintenance, service and installation, customer
11 relations, engineering, transportation, gas supply and control, and the Missouri
12 Natural Division.

13 Q. What is your educational background?

14 A. I received a Bachelor of Science Degree in Chemical
15 Engineering in 1984 from the University of Missouri-Columbia.

16 Q. Please describe your experience with Laclede.

17 A. I have been continuously employed by Laclede since June 1984. Prior to my
18 current position, I held a variety of positions in the Engineering, Gas Supply, and
19 Construction and Maintenance Departments.

20 Q. Have you previously testified before this Commission?

21 A. Yes, I have. I testified in Case Numbers GR-98-374 and GR-99-315.

22 Q. What is the purpose of your testimony in this proceeding?

1 A. The purpose of my testimony is to provide a general
2 explanation of the capital costs Laclede Gas Company incurs in carrying out
3 replacement programs mandated by the Missouri Public Service Commission. I
4 am furnishing this information as background for the Company's proposed
5 treatment of mandated replacement costs that have been incurred and which
6 Laclede anticipates will be incurred in the future.

7 Q. Does any other Company witness address this issue?

8 A. Yes. Company witness J. A. Fallert is sponsoring the accounting treatment
9 concerning mandated replacement costs incurred by the Company.

10 Q. Does Laclede Gas Company incur capital expenses to comply with replacement
11 programs mandated by the Missouri Public Service Commission?

12 A. Yes, Laclede Gas Company incurs over \$12.4 million per year in capital expenses
13 to comply with replacement programs mandated by the Missouri Public Service
14 Commission. As discussed by Company witness Fallert, the vast majority of
15 these capital expenditures as well as those which I will identify later in my
16 testimony for subsequent years consists of payroll and overhead costs that
17 Laclede is incurring and will continue to incur for employees who are on the
18 Company's payroll today.

19 Q. Please list the mandated replacement programs.

20 A. The mandated replacement programs are listed on Schedule CRH-1. The
21 mandated capital programs include the cast iron replacement program (See A on
22 Schedule CRH-1); the unprotected bare steel main replacement program (B); the
23 unprotected bare steel service replacement program (C); and the direct buried

1 copper service replacement program (D), including expenditures for conducting
2 annual bar hole surveys (E).

3 Q. What is the basis for the cast iron replacement program?

4 A. The cast iron replacement program was mandated by 4CSR 240-40.030(15)(D)
5 and Case Number GO-91-275. At the time of its inception, the Cast Iron
6 Replacement Program contained six Specific Priority Replacement Categories
7 briefly described below:

Category Code	Required Replacement	Description
C1	10/1/94	6-inch Medium Pressure in areas of wall to wall pavement
C2	10/1/96	Low Pressure, 3 break areas with 1 occurring since 1983
C3	10/1/98	6-inch Medium Pressure in areas of concentrations of general public
C4	10/1/01	Low Pressure, 2 break areas with 1 occurring since 1983
C5	10/1/01	Low Pressure, 3 break areas all occurring prior to 1983
C6	10/1/03	All remaining areas of 6-inch Medium Pressure

8

9 Additionally, Ongoing Replacement Categories were defined as follows:

Category Code	Required Replacement	Description
C7	Within 3 years of discovery	Low Pressure, 2 break areas with the discovery of third break
C8	Within 5 years of discovery	Low Pressure, 1 break areas with the discovery of second break
C9	As required	Areas of extensive excavation, blasting or construction
D1	As required	Areas defined by 4 CSR 240-40.030(13)(Z)
D2	As required	Unspecified newly identified priority replacement areas

10

11 The Company has completed the Category C1, C2 and C3 replacements. The

1 Company is in compliance with the replacement requirements for Specific
2 Priority Replacement Categories C4, C5, C6, C7 and C8. In addition, the
3 Company continues to track and schedule for replacement where practical, cast
4 iron main replacements that were defined in the Long-Term Replacement
5 Program. These areas include Low Pressure areas with two existing breaks which
6 occurred prior to 1983, Low Pressure areas with one break since 1983, six-inch
7 and smaller low pressure mains under wall to wall pavement, and sections which
8 demonstrate significant graphitization. The replacements completed in fiscal year
9 2000 and the replacements anticipated for fiscal years 2001, 2002, 2003, and 2004
10 are shown in Schedule CRH-1.

11 Q. What levels of capital expenditures by the Company are required to comply with
12 the mandated cast iron replacements?

13 A. The capital expenditures associated with the mandated replacements under the
14 cast iron replacement program are shown in Schedule CRH-1. The Company
15 anticipates spending \$2.4 million, \$1.3 million, \$1.3 million, and \$1.3 million
16 respectively for the fiscal years 2001, 2002, 2003, and 2004.

17 Q. What is the basis for the unprotected bare steel main replacement program?

18 A. The bare steel main replacement program was mandated in 4 CSR 240-
19 40.030(15)(E) and Case Number GO-91-239. The schedule set forth in Case No.
20 GO-91-239 required 20,000 feet per year based on leak history and 1,800 feet per
21 year based on wall-to-wall pavement and areas of high concentration of the
22 general public through fiscal year 1998. The Company has continued
23 replacements at that rate. The replacements completed in fiscal year 2000 and the

1 replacements planned for fiscal years 2001, 2002, 2003, and 2004 are shown in
2 Schedule CRH-1.

3 Q. What levels of capital expenditures by the Company are required to comply with
4 the mandated bare steel main replacements?

5 A. The capital expenditures associated with the mandated replacements under the
6 bare steel main replacement program are shown in Schedule CRH-1. The
7 Company anticipates having to spend \$1.0 million, \$1.0 million, \$1.1 million, and
8 \$1.1 million respectively for fiscal years 2001, 2002, 2003, and 2004.

9 Q. What is the basis for the unprotected bare steel service replacement program?

10 A. The bare steel service replacement program was mandated in 4 CSR 240-
11 40.030(15)(C) and Case Number GO-91-239 and modified by Case Number GO-
12 99-155. GO-99-155 revised the number of replacements to require the renewal of
13 bare steel service lines found leaking and those exposed during main replacement
14 programs or other routine work. The program will be completed when all services
15 are renewed by 2020. The replacements completed in fiscal year 2000 and the
16 replacements planned for fiscal years 2001, 2002, 2003, and 2004 are shown in
17 Schedule CRH-1.

18 Q. What levels of capital expenditures by the Company are required to comply with
19 the mandated bare steel service replacements?

20 A. The capital expenditures associated with the mandated replacements under the
21 bare steel service replacement program are shown in Schedule CRH-1. The
22 Company anticipates having to spend \$1.4 million, \$1.4 million, \$1.5 million, and
23 \$1.5 million respectively for fiscal years 2001, 2002, 2003, and 2004.

1 Q. What is the basis for the direct buried copper service replacement program and
2 the associated requirement to bar hole survey direct buried copper services on an
3 annual basis?

4 A. The direct buried copper service replacement program and the associated bar hole
5 survey were mandated in Case Number GO-99-155. The Company is required to
6 complete 8,000 qualifying replacements per year for the first three years of the
7 program. The required replacement rate is to be reevaluated by Staff after the
8 first three years of the program. The Company is required to bar hole survey all
9 direct buried copper services annually. The number of qualifying replacements
10 completed in fiscal year 2000 and the number of qualifying replacements planned
11 for fiscal years 2001, 2002, 2003, and 2004 are shown in Schedule CRH-1. The
12 number of bar hole surveys completed in fiscal year 2000 and the number of bar
13 hole surveys anticipated to be required for fiscal years 2001, 2002, 2003, and
14 2004 are shown in Schedule CRH-1.

15 Q. What levels of capital expenditures by the Company are required to comply with
16 the mandated direct buried copper service replacements?

17 A. The capital expenditures associated with the mandated replacements under the
18 direct buried copper service replacement program are shown in Schedule CRH-1.
19 The Company anticipates having to spend \$7.3 million, \$7.5 million, \$7.8 million,
20 and \$8.0 million respectively on direct buried copper service replacements for
21 fiscal years 2001, 2002, 2003, and 2004. The capital expenditures associated with
22 the mandated bar hole survey of direct buried copper services are shown in
23 Schedule CRH-1. The Company anticipates having to spend \$567 thousand, \$510

1 thousand, \$456 thousand, and \$397 thousand, respectively on the bar hole survey
2 for fiscal years 2001, 2002, 2003, and 2004.

3 Q. Does this conclude your testimony?

4 A. Yes, it does.

Program	Regulation or Case	Basis for Replacements, Requirements and Remarks	Fiscal 2000				Fiscal 2001(est)			
			Total Footage Replaced /Eliminated:	Total Expense:	Program footage Replaced /Eliminated:	Program Expense:	Total Footage Replaced /Eliminated:	Total Expense:	Program footage Replaced /Eliminated:	Program Expense:
A Cast Iron	4 CSR 240-40.030 (15)(D) and Case No. GO-91-275	Number of circumferential cast iron breaks per study section (minimum of two breaks within 500 feet). Replacement footage varies from year to year depending on cast iron break frequency. Scheduled by fiscal year. Program has no ending year defined.	60,865	\$2,396,256	50,108	\$1,972,752	60,000	\$2,433,602	50,950	\$2,066,533
B Unprotected Bare Steel Main	4 CSR 240-40.030 (15)(E) and Case No. GO-91-239	The schedule set forth in Case No. GO-91-239 required 20,000 feet per year based on leak history and 1,800 feet per year based on wall-to-wall pavement and areas of high concentration of the general public through fiscal year 1998. Future rates were to be negotiated with Staff.	24,215	\$1,095,729			21,800	\$1,016,098		
			Svc Lines Replaced/ Eliminated	Total Expense			Svc Lines Replaced/ Eliminated	Total Expense		
C Unprotected Bare Steel Service Line	4 CSR 240-40.030 (15)(C), Case No. GO-91-239 and modified by Case No. GO-99-155	GO-99-155 revised the number of replacements to require the renewal of bare steel service lines found leaking and those exposed during main replacement programs or other routine work. Program to be completed when all services are renewed by 2020.	412	\$1,100,358			500	\$1,375,450		
D Direct Buried Copper Service Lines	Case No. GO-99-155	8,000 qualifying replacements per year in first three years of program. Reevaluate after 3 years. Replacements prioritized by addresses with reported leaks. Pressure Region 1 to be replaced within 6 months and Pressure Region 2 to be replaced within 12 months of discovery. Non-leak related replacements prioritized based on open leaks in the area, leak history of area and other factors. Scheduled by program year beginning on March 1st each year. Program has no ending year defined. Note: first program year began on January 1, 2000.	8,196	\$7,279,106			8,000	\$7,318,160		
			Surveys Completed	Total Expense			Surveys Completed	Total Expense		
E Bar Hole Leak Survey - Direct Buried Copper	4 CSR 240-40.030 (15)(E) and Case No. GO-99-155	Consists of annual CGI bar hole survey at tee, curb, and riser of each "qualifying" service line. Also includes visual inspection of outside meter set.	76,800	\$614,884			68,723	\$566,965		

Program	Regulation or Case	Basis for Replacements, Requirements and Remarks	Fiscal 2002(est)				Fiscal 2003(est)			
			Total Footage Replaced /Eliminated:	Total Expense:	Program footage Replaced /Eliminated:	Program Expense:	Total Footage Replaced /Eliminated:	Total Expense:	Program footage Replaced /Eliminated:	Program Expense:
A Cast Iron	4 CSR 240-40.030 (15)(D) and Case No. GO-91-275	Number of circumfrential cast iron breaks per study section (minimum of two breaks within 500 feet). Replacement footage varies from year to year depending on cast iron break frequency. Scheduled by fiscal year. Program has no ending year defined.	30,000	\$1,253,402	13,850	\$578,654	30,000	\$1,290,900	12,730	\$547,772
B Unprotected Bare Steel Main	4 CSR 240-40.030 (15)(E) and Case No. GO-91-239	The schedule set forth in Case No. GO-91-239 required 20,000 feet per year based on leak history and 1,800 feet per year based on wall-to-wall pavement and areas of high concentration of the general public through fiscal year 1998. Future rates were to be negotiated with Staff.	21,800	\$1,046,618			21,800	\$1,078,010		
			Svc Lines Replaced/ Eliminated	Total Expense			Svc Lines Replaced/ Eliminated	Total Expense		
C Unprotected Bare Steel Service Line	4 CSR 240-40.030 (15)(C), Case No. GO-91-239 and modified by Case No. GO-99-155	GO-99-155 revised the number of replacements to require the renewal of bare steel service lines found leaking and those exposed during main replacement programs or other routine work. Program to be completed when all services are renewed by 2020.	500	\$1,416,715			500	\$1,459,215		
D Direct Burfed Copper Service Lines	Case No. GO-99-155	8,000 qualifying replacements per year in first three years of program. Reevalue after 3 years. Replacements prioritized by addresses with reported leaks. Pressure Region 1 to be replaced within 6 months and Pressure Region 2 to be replaced within 12 months of discovery. Non-leak related replacements prioritized based on open leaks in the area, leak history of area and other factors. Scheduled by program year beginning on March 1st each year. Program has no ending year defined. Note: first program year began on January 1, 2000.	8,000	\$7,537,760			8,000	\$7,763,840		
			Surveys Completed	Total Expense			Surveys Completed	Total Expense		
E Bar Hole Leak Survey - Direct Burfed Copper	4 CSR 240-40.030 (15)(E) and Case No. GO-99-155	Consists of annual CGI bar hole survey at tee, curb, and riser of each "qualifying" service line. Also includes visual inspection of outside meter set.	60,000	\$510,000			52,000	\$455,520		

Program	Regulation or Case	Basis for Replacements, Requirements and Remarks	Fiscal 2004(est)			
			Total Footage Replaced /Eliminated:	Total Expense:	Program footage Replaced /Eliminated:	Program Expense:
A Cast Iron	4 CSR 240-40.030 (15)(D) and Case No. GO-91-275	Number of circumferential cast iron breaks per study section (minimum of two breaks within 500 feet). Replacement footage varies from year to year depending on cast iron break frequency. Scheduled by fiscal year. Program has no ending year defined.	30,000	\$1,329,900	12,000	\$531,960
B Unprotected Bare Steel Main	4 CSR 240-40.030 (15)(E) and Case No. GO-91-239	The schedule set forth in Case No. GO-91-239 required 20,000 feet per year based on leak history and 1,800 feet per year based on wall-to-wall pavement and areas of high concentration of the general public through fiscal year 1998. Future rates were to be negotiated with Staff.	21,800	\$1,110,492		
C Unprotected Bare Steel Service Line	4 CSR 240-40.030 (15)(C), Case No. GO-91-239 and modified by Case No. GO-99-155	GO-99-155 revised the number of replacements to require the renewal of bare steel service lines found leaking and those exposed during main replacement programs or other routine work. Program to be completed when all services are renewed by 2020.	Svc Lines Replaced/ Eliminated 500	Total Expense \$1,502,995		
D Direct Buried Copper Service Lines	Case No. GO-99-155	8,000 qualifying replacements per year in first three years of program. Reevaluate after 3 years. Replacements prioritized by addresses with reported leaks. Pressure Region 1 to be replaced within 6 months and Pressure Region 2 to be replaced within 12 months of discovery. Non-leak related replacements prioritized based on open leaks in the area, leak history of area and other factors. Scheduled by program year beginning on March 1st each year. Program has no ending year defined. Note: first program year began on January 1, 2000.	8,000	\$7,996,720		
E Bar Hole Leak Survey - Direct Buried Copper	4 CSR 240-40.030 (15)(E) and Case No. GO-99-155	Consists of annual CGI bar hole survey at tee, curb, and riser of each "qualifying" service line. Also includes visual inspection of outside meter set.	Surveys Completed 44,000	Total Expense \$396,880		

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³
MAY 18 2001

Missouri Public
Service Commission

In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate)
Schedules.)

Case No. GR-2001-629

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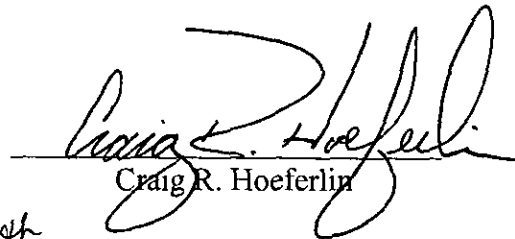
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Craig R. Hoeflerlin, of lawful age, being first duly sworn, deposes and states:

1. My name is Craig R. Hoeflerlin. My business address is 3950 Forest Park Avenue, St. Louis, Missouri 63108; and I am Assistant Vice President – Operations for Laclede Gas Company.

2. Attached hereto and made part hereof for all purposes is my direct testimony, consisting of pages 1 to 7, inclusive, and one schedule.

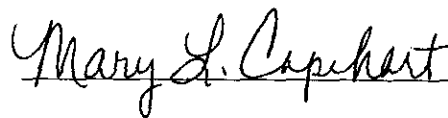
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


Craig R. Hoeflerlin

Subscribed and sworn to before me this 18th day of May, 2001.



MARY L. CAPEHART
NOTARY PUBLIC—STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXPIRES OCT 1, 2003


Mary L. Capehart